

State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA
DEPUTY STATE AUDITOR

(803) 253-4160
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September 27, 2006

Mr. Greg Scarbrough, Chief Financial Officer
Oconee Memorial Hospital
298 Memorial Drive
Seneca, South Carolina 29672-9443

Re: AC# 3-LLD-J1 – Oconee Memorial Hospital, Inc.
d/b/a Lila Doyle Nursing Care Facility

Dear Mr. Scarbrough:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 2000 through September 30, 2001. That report was used to set the rate covering the contract period beginning January 1, 2003.

We are recommending that the Department of Health and Human Services certify an accounts payable for amounts underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976, as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert Jr.", written in a cursive style.

Richard H. Gilbert Jr., CPA
Deputy State Auditor

RHGjr/ms

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Ms. Kathleen C. Snider

**OCONEE MEMORIAL HOSPITAL, INC.
D/B/A LILA DOYLE NURSING CARE FACILITY
SENECA, SOUTH CAROLINA**

**CONTRACT PERIOD
BEGINNING JANUARY 1, 2003
AC# 3-LLD-J1**

**AGREED-UPON PROCEDURES REPORT
ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

August 24, 2006

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, for the contract period beginning January 1, 2003, and for the twelve month cost report period ended September 30, 2001, as set forth in the accompanying schedules. The management of Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Summary of Costs and Total Patient Days, Adjustment Report, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Oconee Memorial Hospital, Inc. d/b/a Lila Doyle Nursing Care Facility dated as of October 1, 2001, as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
August 24, 2006

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", with a stylized flourish at the end.

Richard H. Gilbert, Jr., CPA
Deputy State Auditor

LILA DOYLE NURSING CARE FACILITY
Computation of Rate Change
For the Contract Period
Beginning January 1, 2003
AC# 3-LLD-J1

	Beginning <u>01/01/03</u>
Adjusted Reimbursement Rate	\$116.53
Interim Reimbursement Rate (1)	<u>113.92</u>
Increase in Reimbursement Rate	\$ <u><u>2.61</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated March 1, 2006.

LILA DOYLE NURSING CARE FACILITY
Computation of Adjusted Reimbursement Rate
For the Contract Period January 1, 2003 Through September 30, 2003
AC# 3-LLD-J1

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$ 83.99	\$63.44	
Dietary		15.42	11.63	
Laundry/Housekeeping/Maintenance		<u>15.56</u>	<u>10.22</u>	
Subtotal	\$ <u>-</u>	114.97	85.29	\$ 85.29
Administration & Medical Records	\$ <u>-</u>	<u>30.70</u>	<u>12.63</u>	<u>12.63</u>
Subtotal		145.67	<u>\$97.92</u>	97.92
<u>Costs Not Subject to Standards:</u>				
Utilities		2.63		2.63
Special Services		.69		.69
Medical Supplies & Oxygen		3.50		3.50
Taxes and Insurance		.68		.68
Legal Fees		<u>.29</u>		<u>.29</u>
TOTAL		<u>\$153.46</u>		105.71
Inflation Factor (3.70%)				3.91
Cost of Capital				10.59
Cost of Capital Limitation				(3.68)
Profit Incentive (Maximum 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$116.53</u>

LILA DOYLE NURSING CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-LLD-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$2,515,891	\$ -	\$190,974 (1)	\$2,324,917
Dietary	559,294	-	132,376 (1)	426,918
Laundry	168,396	-	75,161 (1)	93,235
Housekeeping	131,839	28,363 (1)	-	160,202
Maintenance	89,095	88,166 (1)	-	177,261
Administration & Medical Records	480,643	369,180 (1)	-	849,823
Utilities	73,594	-	863 (1)	72,731
Special Services	25,599	-	6,525 (1)	19,074
Medical Supplies & Oxygen	45,559	51,421 (1)	-	96,980
Taxes and Insurance	1,090	17,639 (1)	-	18,729
Legal Fees	-	8,160 (1)	-	8,160
Cost of Capital	<u>191,280</u>	<u>137,322</u> (2)	<u>35,482</u> (1)	<u>293,120</u>
Subtotal	4,282,280	700,251	441,381	4,541,150

LILA DOYLE NURSING CARE FACILITY
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 2001
AC# 3-LLD-J1

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Ancillary	213,140	-	213,067 (1)	73
Nonallowable	(<u>1,223,550</u>)	<u>1,288,400</u> (1)	<u>137,322</u> (2)	<u>(72,472)</u>
Total Operating Expenses	<u>\$3,271,870</u>	<u>\$1,988,651</u>	<u>\$791,770</u>	<u>\$4,468,751</u>
Total Patient Days	<u>27,682</u>	<u>-</u>	<u>-</u>	<u>27,682</u>
Total Beds	<u>79</u>			

LILA DOYLE NURSING CARE FACILITY
Adjustment Report
Cost Report Period Ended September 30, 2001
AC# 3-LLD-J1

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Housekeeping	\$ 28,363	
	Maintenance	88,166	
	Administration & Medical Records	369,180	
	Medical Supplies	51,421	
	Taxes and Insurance	17,639	
	Legal	8,160	
	Nonallowable	1,288,400	
	General Services		\$ 190,974
	Dietary		132,376
	Laundry		75,161
	Utilities		863
	Special Services		6,525
	Cost of Capital		35,482
	Ancillary		213,067
	Other Equity		1,196,881
	To adjust cost centers to amounts per the as-filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	137,322	
	Nonallowable		137,322
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$1,988,651</u>	<u>\$1,988,651</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-LLD-J1

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.4607</u>
Deemed Asset Value (Per Bed)	38,431
Number of Beds	<u>79</u>
Deemed Asset Value	3,036,049
Improvements Since 1981	941,820
Accumulated Depreciation at 9/30/01	(<u>1,432,773</u>)
Deemed Depreciated Value	2,545,096
Market Rate of Return	<u>.0577</u>
Total Annual Return	146,852
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	146,852
Depreciation Expense	151,928
Amortization Expense	-
Capital Related Income Offsets	(5,660)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	293,120
Total Patient Days (Minimum 96% Occupancy)	<u>27,682</u>
Cost of Capital Per Diem	\$ <u><u>10.59</u></u>

LILA DOYLE NURSING CARE FACILITY
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 2001
AC# 3-LLD-J1

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$ 2.92
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>6.91</u>
Reimbursable Cost of Capital Per Diem	\$ 6.91
Cost of Capital Per Diem	<u>10.59</u>
Cost of Capital Per Diem Limitation	\$ <u>(3.68)</u>

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